

Susan M. Chandler, Ph.D.
Director
Department of Human Services
P.O. Box 339
Honolulu, HI 96809-0339

Dear Dr. Chandler:

I am pleased to inform you that the Centers for Medicare & Medicaid Services (CMS) is approving Hawaii's request to extend the Medicaid section 1115 demonstration, project no. 11-W-00001/9 known as "QUEST" for an additional 3 years, from April 1, 2002 through March 31, 2005. This approval permits the continuation of the QUEST demonstration subject to the enclosed Special Terms and Conditions.

This approval is contingent upon the State's notifying CMS of its written acceptance of this award within 30 days from the date of this letter.

We look forward to the continued success of this project. If you have any questions regarding this approval, please contact Ms. Maria Boulmetis, Project Officer at (410) 786-0552.

Sincerely,

Thomas A. Scully
Administrator

Enclosure

Section 1115 Demonstration Project, No. 11-W-00001/9
Hawaii QUEST Demonstration

Under the authority of section 1115(a)(1) of the Social Security Act (the Act), the following waivers of provisions of the Act remain in effect to enable Hawaii to carry out the QUEST demonstration through this period:

1. Amount, Duration, & Scope

Section 1902(a)(10)(B)

To enable the State to modify the Medicaid benefit package and to permit coverage of benefits for the demonstration population which are not covered for the non-demonstration population; and to enable the State to modify the Medicaid benefit package to provide a more limited package to beneficiaries under QUEST-Net.

2. Eligibility

Section 1902(a)(10)(A)(i)(III)(IV)(VII)

To exempt from Medicaid coverage certain employed individuals with access to employer sponsored insurance whom the State would otherwise be required to include under its Plan.

Comparability of Eligibility

Section 1902(a)(17)

To enable the State to restrict Medicaid eligibility for individuals who have access to employer sponsored insurance and to restrict medically needy eligibility for AFDC-related individuals to those whose incomes are at or below 300 percent of the Federal Poverty Level (FPL).

Medically Needy

Section 1902(a)(10)(C)

To enable the State to place limits on its medically needy program for all AFDC-related individuals.

Financial Responsibility/Deeming

Section 1902(a)(17)(D)

To exempt the State from the limits on whose income and resources may be used to determine eligibility and allow the State to use the AFDC rules instead.

Three Month Retroactive Eligibility

Section 1902(a)(34)

To enable the State to not provide retroactive eligibility.

Transfer of Assets

Section 1902(a)(18)

To enable the State to use eligibility standards and requirements that differ from those required by law with respect to the transfer of assets.

3. Quality Review of Eligibility Section 1902(a)(4)

To enable the State to be exempt from the current administrative procedure of reviewing the eligibility process. The State's revised eligibility process is inconsistent with the usual quality review procedure.

4. Freedom of Choice Section 1902(a)(23)

To enable the State to restrict the freedom of choice of providers.

5. Upper Payment Limit for Capitation Contract Requirement Section 1902(a)(30)

To enable the State to set capitation rates that would exceed the costs to Medicaid on a fee-for-service basis.

6. Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) Section 1902(a)(10)(A)

To enable the State to only provide FQHC and RHC services through managed care providers.

7. Disproportionate Share Hospital Payments (DSH) Section 1902(a)(13)(A)(iv)

To enable the State to reimburse hospitals for DSH payments through the capitation amount paid to the health plans. The State will not pay the hospitals directly.

Costs Not Otherwise Matchable

Under the authority of section 1115(a)(2) of the Social Security Act (the Act), expenditures made by the State for the items identified below (which are not otherwise included as expenditures under section 1903) shall, for the period of the project, be regarded as expenditures under the State's Title XIX plan. All other requirements of the Medicaid program will apply to these expenditures, except those that were waived above for other demonstration expenditures.

1. Expenditures to provide coverage to individuals, to the extent that such expenditures are not otherwise allowable because the individuals are enrolled in managed-care delivery systems that do not meet the following requirements of section 1903(m).
 - 1903(m)(1)(A) and (2)(A)(i), 42 CFR 434.20 and 434.21, insofar as they would require that QUEST Managed Care Organizations (MCOs) meet all requirements in Hawaii's State plan definition of MCOs under 42 CFR. 434.20(c).
 - Expenditures for capitation payments provided to managed care organizations which restrict enrollees' right to disenroll within 90 days of enrollment in a new MCO, as designated under Section 1903(m)(2)(A)(vi) and Section 1932(a)(4)(A). Enrollees may change managed care

organizations annually, except with respect to enrollees on rural islands who are enrolled into a single plan in the absence of a choice of plan on that particular island.

2. Expenditures for non-categorical individuals with incomes at or below 100 percent of the FPL.
3. Expenditures for adults with incomes at or below 300 percent of the FPL who lose Medicaid eligibility.
4. Expenditures to provide Medicaid coverage to children with family incomes above 200 percent but less than or equal to 300 percent of the FPL who were previously enrolled in either QUEST or Medicaid.
5. Expenditures for individuals who are TANF cash recipients and are not otherwise eligible for Medicaid.

